

CITY OF
HAYWARD
HEART OF THE BAY

Inclusionary Housing Ordinance and Nexus Study

City Council Meeting

November 4, 2014



Objectives of Work Session

- Review policy and legal context and need for update of City's Inclusionary Housing Ordinance
 - Pending litigation may require nexus studies for all inclusionary programs
- Review findings of new nexus study
- Apply findings to the City's Inclusionary Housing Ordinance



Hayward Inclusionary Housing Ordinance (IHO)

- Why have an IHO?
 - Market-rate residential development increases employment without increasing the supply of affordable housing
 - Loss of redevelopment funding for affordable housing
 - Compliance with Housing Element policies and guidelines
- How does it work?
 - Requires market rate developer to set aside a certain percentage of newly constructed housing units as units available to low income households; or
 - Requires payment of a fee to be used towards construction of new affordable housing units



Hayward Inclusionary Housing Ordinance (IHO) and Relief Ordinance

- City's IHO Adopted 2003
- Interim Relief Ordinance Adopted 2012
 - Reduced Owner Unit Set-Aside Requirements and Fee from 15% (all unit types) to 10% (Detached units) and 7.5% (Attached units)
 - Suspended Inclusionary Requirements on Rental Housing Projects (as a result of decision in *Palmer* lawsuit)
- Relief Ordinance Extended Through December 2014



Current Hayward IHO and Relief Requirements

	IHO		Relief Ordinance	
	% Affordable Units	Fee Per MRU	% Affordable Units	Fee Per MRU
SF Detached	15%	\$12,000	10%	\$8,000
Attached	15%	\$12,000	7.5%	\$6,000

- Current City ordinance allows developers to pay fee of \$80,000 per required affordable unit
- Under the IHO, 15% of units in a project must be affordable
- This then translates into a fee per MRU (Market Rate Unit) as indicated above
- Under the Relief Ordinance, these percentages were reduced per the table above



Purpose and Methodology of City Nexus Study

- City hired David Rosen and Associates to perform nexus study
- Study evaluated development costs of prototype units, the costs to rent or purchase these units, and the average income required to rent or purchase
- This resulted in an affordability gap analysis or “the subsidy that low and moderate-income buyers would need in order to afford to purchase market rate homes or townhomes” as shown on next slide.



Affordability Gap Analysis

	Prototype #1	Prototype #2
	Single-Family Infill	Owner Townhomes
Average Market Price/Unit ¹	\$588,900	\$540,900
Affordable Price/Unit ²	\$437,600	\$428,600
Average Affordability Gap/Affordable Unit	\$151,300	\$112,400

¹Weighted average price for 3 and 4 bedroom units.

²Weighted average affordable price for 3 and 4 bedroom units calculated at 110% of Area Median Income (\$93,500 in 2014) per IHO.

- The Affordability Gap/Unit above (\$151,300 and \$112,400) relates to the \$80,000 per affordable unit in the City's current IHO.
- This indicates that the subsidy now needed to assist low to moderate income buyers (based on current market conditions) is higher than that identified in the City's previous analysis and ordinance.



Nexus Fees – Current vs. Maximum Justified

	IHO and Relief Requirements		DRA Study 2014	
	SF Detached	Attached	SF Detached	Attached
Per Afford. Unit	\$80,000	\$80,000	\$151,300	\$112,400
Per MRU 15%	\$12,000	\$12,000	\$22,700	\$16,900
Per MRU 10%	\$8,000	N/A	\$15,100	\$11,200
Per MRU 7.5%	N/A	\$6,000	\$11,300	\$8,400



Current City Fee
Structure

Maximum Justifiable Fees
Using Gap Analysis

** MRU = Market Rate Unit



Actions Requested Tonight:

- That Council accepts the nexus study as the basis for establishing future fee amounts based on the requirements of the new Ordinance
- That Council affirms the current inclusionary requirements and fee amounts at least through December 2015.
- That Council reviews and affirms staff recommendations on:
 - 1) Ordinance changes
 - 2) Fee Structure and Amount
 - 3) Next steps



Ordinance Recommendations

1) Continue to allow developers flexibility and the option to build units on or off site, pay fees, or some combination of these alternatives.

2) Maintain affordable unit set aside requirements consistent with current relief ordinance provisions:

	% Affordable Units
Rental Housing	7.5%
Attached Owner Housing	7.5%
SF Detached Owner Housing	10.0%

3) Keep other provisions of Inclusionary Housing Ordinance intact



Fee Recommendations

1) Design Affordable Housing Ordinance that charges housing fees on a per square foot basis versus a per unit basis. Leave fees at Relief Ordinance levels:

	SF Detached	SF Attached
Set-Aside %	10%	7.5%
Housing Fee per Net SF	\$4.00	\$3.24

2) Remove inclusionary requirements from rental housing. Instead, assess housing fees for rental units at the same level as owner attached housing: \$3.24 fee per net SF

3) Allow fees to be paid at time of building permit or at Certificate of Occupancy, with 10% increase



Fee Recommendations, cont'd.

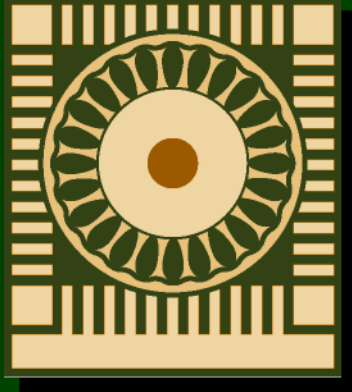
- 4) Include a 5% administrative charge on top of the fees to cover costs of administering Affordable Housing Ordinance.
- 5) Annually adjust fees based on the three-year trailing median home price in the City.
- 6) Allow a portion of the fees collected (25%) to be used for acquisition and rehabilitation of existing affordable units instead of solely for new construction.



Next Steps

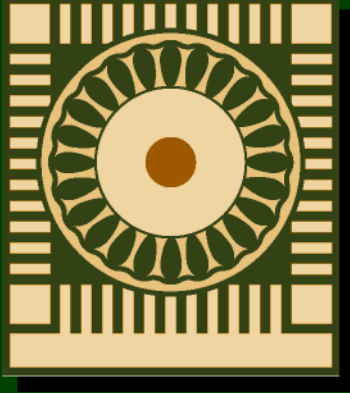
- Council to provide comments this evening
- Staff to work on new draft ordinance
- Return to Council in December 2014/January 2015 with adoption of the new ordinance





Comments/Questions





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